LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6598
NOTE PREPARED: Dec 23, 2010
BILL NUMBER: HB 1312
BILL AMENDED:

SUBJECT: Local Government Reorganization and Merger.

FIRST AUTHOR: Rep. Truitt
BILL STATUS: As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: Local

Summary of Legislation: This bill requires the Department of Local Government Finance (DLGF) to develop criteria for making an adjustment to allow a political subdivision to retain a part of its levy and budget that would otherwise be reduced because of savings from a government reorganization or township merger.

The bill provides that the amount of such an adjustment may not exceed a specified percentage of the savings or reduction realized in the first full year of operation after the merger or reorganization. It also provides that the percentage is 50% in the first year of the adjustment and phases down to 10% in the fourth year of the adjustment and thereafter.

This bill provides that the fiscal body of the reorganizing political subdivision or new township shall determine and certify to the DLGF the amount of the adjustment that the political subdivision or new township wishes to accept. The bill provides that in the case of a reorganization under the government modernization statutes, the amount of any adjustment accepted by a reorganized political subdivision must comply with the reorganization agreement.

Effective Date: July 1, 2011.

Explanation of State Expenditures: The bill would have no fiscal impact on the DLGF, although the DLGF would be required to establish criteria related to maximum levy adjustments for merged townships.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, when a taxing unit or units realize a savings or reduction in future expenses because of actions taken under the Government Modernization statute, the DLGF must adjust the units' maximum levies. The adjustment must allow taxing units to continue to levy and budget up to 50% of the savings. Under this provision, the amount that taxing units could continue to levy and budget would be limited to 50% of the savings in each of the first two years, 30% in the third year, and 10% in the fourth and following years. This bill would potentially reduce the maximum property tax levy for taxing units in the third and following years after an action taken under the Government Modernization statute.

This bill also addresses potential savings realized by townships under the Township Merger statute. Currently, the DLGF must approve a new budget, levy, and tax rate for a new township formed by the merger of two or more townships. There is no provision for the merged unit to keep any of the savings realized from the merger. Under this bill, any adjustment to the maximum levy of the merged township would also allow the unit to continue to levy and budget up to 50% of the savings in each of the first two years, 30% in the third year, and 10% in the fourth and following years. The bill would potentially provide additional resources to merged townships by allowing the new township to keep a portion of the levy associated with the savings from the merger.

For maximum levy adjustments under both the Government Modernization and Township Merger statutes, this bill would require the fiscal bodies of the local units involved to determine the amount of the acceptable adjustment and certify that amount to the DLGF. In the case of a certification under the Government Modernization statute, the amount would have to comply with the reorganization agreement.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Merged townships; Reorganized taxing units.

Information Sources:

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